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**IN THE DISCLOSURE**

Please amend page 6, lines 15-21, to now read:

- connecting a bottomhole assembly comprising a directional drilling means, said directional drilling means having a drill bit and a downhole motor or an air hammer for operating the drill bit, to the coiled tubing drill string so that the bottomhole assembly is in fluid communication with the coiled tubing drill string; and
- delivering drilling medium through one of said annulus or inner coiled tubing string to said downhole motor or air hammer for operating the directional drilling means the drill bit to form said directional or horizontal wellbore and removing exhaust drilling medium by extracting exhaust drilling medium through said other of said annulus or inner coiled tubing string; and
- extracting exhaust drilling medium through said other of said annulus or inner coiled tubing string.

Please amend page 7 by inserting the following two paragraphs at line 20:

As stated above, existing drilling tools for single wall coiled tubing can be modified by encasing them in an outer casing such that an annulus is formed between the outer wall of the tool and the inside wall of the outer casing. In the alternative, existing drilling tools for single wall coiled tubing can be used with an interchange means located at or near the top of the bottomhole assembly. For example, U.S. Patent No. 5,394,951, which was previously incorporated by reference, discloses a downhole mud motor to rotate a drill bit. Thus, directional drilling means can comprise a mud motor and a drill bit. Further, U.S. Patent No. 5,215,151, discloses a downhole motor such as a positive displacement hydraulic motor, which can be operated by the water or other hydraulic fluid, to rotate a drill bit. Thus, directional drilling means can comprise a positive displacement motor and a drill bit.

U.S. Patent No. 5,394,951 describes the operation of a downhole motor to rotate a drill bit as follows. Mud pumps at the earth's surface force drilling fluids

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downwardly within the coiled tubing to the motor. The motor is operated by drilling fluids moving axially over an internal rotor/stator assembly and converting hydraulic energy into mechanical energy resulting in bit rotation with high torque.

Please amend page 11, lines 14-20, to now read:

- a bottomhole assembly comprising a directional drilling means, said directional drilling means having a drill bit and a downhole motor or an air hammer for operating the drill bit, operably connected to said concentric coiled tubing drill string; and
- a drilling medium delivery means for delivering drilling medium through one of said annulus or inner coiled tubing string for operating the directional drilling means to form said directional or horizontal wellbore and for entraining and removing exhaust drilling medium drill cuttings through said other of said annulus or inner coiled tubing string.